GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2439
ANSWERED ON:23.07.2004
DISINVESTMENT POLICY
Adhalrao Patil Shri Shivaji;Chandrappan Shri C.K.;Reddy Shri S.P.Y.

Will the Minister of FINANCE be pleased to state:

(a) whether after disbandment of Disinvestment Ministry, the Government is considering to discontinue the process of disinvestment;

(b) if not, the target fixed by the Government for disinvestment during the remaining period of 2004-2005;

(c) the steps proposed to be taken to achieve the set target;

(d) whether Government has decided to reverse its policy with regard to disinvestment of ITDC and chain of hotels including Ashoka Hotel, New Delhi working under it;

(e) if so, the details thereof;

(f) whether there have been complaints about deals in privatisation / sale of Modern foods, Centaur Hotel and Kovalam Ashoka Beach Resort etc;

(g) if so, the details about the nature of the complaints / allegations;

(h) whether Government has enquired about the complaints;

(i) if so, the findings thereof; and

(j) remedial measures initiated by Government to safeguard the interests of the work force?

Answer

MINISTER OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (e) A sum of Rs 4,000 crore is estimated as disinvestment proceeds in 2004-05. This is proposed to be achieved through dilution of Government's minority shareholdings in selected Public Sector Companies. The policy of the Government on disinvestment stated in the National Common Minimum Programme is as follows:-

" The Government is committed to a strong and effective public sector whose social objectives are met by its commercial functioning. But for this, there is need for selectivity and a strategic focus. It is pledged to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. Generally, profit making companies will not be privatised.

All privatisations will be considered on a transparent and consultative case-by-case basis. The existing "navaratna" companies will be retained in the public sector while these companies raise resources from the capital market. While every effort will be made to modernize and restructure sick public sector companies and revive sick industry, chronically loss-making companies will either be sold-off, or closed, after all workers have got their legitimate dues and compensation. The Government will induct private industry to turn around companies that have potential for revival.

The Government believes that privatisation should increase competition, not decrease it. It will not support the emergence of any monopoly that only restricts competition. It also believes that there must be a direct link between privatisation and social needs − like, for example, the use of privatisation revenues for designated social sector schemes. Public sector companies and nationalised banks will be encouraged to enter the capital market to raise resources and offer new investment avenues to retail investors."

(f) to (i) There have been no major complaints about the privatisation transactions which could be substantiated. The Government scrutinizes all complaints with promptitude and takes appropriate action.

(j) A number of provisions are introduced into the Share Holders Agreement entered into with the Strategic Partner at the time of disinvestment to protect the interest of workers. A copy of the standard provision in this regard is enclosed at Annexure −I. Government Directors are also appointed to the Board of the privatized companies to ensure that the Share Holders Agreement is implemented.

Annexure I referred to in reply to part (j) of Lok Sabha Unstarred Question No . 2439 for answer on 23rd July 2004 regarding

Disinvestment Policy by Shri Adhalrao Patil Shivajirao, Shri C.K.Chandrappan and Shri S.P.Y. Reddy

Typical provisions related to employees' interest incorporated in the Shareholders Agreement are as follows:-

Recitals:

• Subject to the substantives clauses in this regard, the Parties envision that all Employees of the Company on the date hereof will continue in the employment of the Company.

• The SP recognises that the government in relation to its employment policies follows certain principles for the benefit of the members of the Scheduled Caste / Schedules Tribes, physically handicapped persons and other socially disadvantages categories of the society. The SP shall use its best efforts to cause the Company to provide adequate job opportunities for such persons. Further, in the event of any reduction in the strength of the employees of the Company, the SP shall use its best efforts to ensure that the physically handicapped persons, Scheduled Castes/Scheduled Tribes are retrenched at the end.

Substantive Clauses

• Notwithstanding anything to the contrary in this Article __, the Government, shall at any time and at its sole discretion, have the option of selling shares from its shareholding in the company, representing not more than __ of the share capital of the company existing as of date of this Agreement, to the employees of the Company ("employees sell share"). In the event that the Government exercises its option to sell part of its shares to the employees, the employees shall be issued fresh share certificates for the shares transferred to the employees. The Shareholders agree that, upon the completion of transfer, the shares transferred to the employees pursuant to this sub-clause shall not be subject to any restrictions in this Agreement, whether by way of a voting arrangement or a right of first refusal.

• The SP covenants with the Government that

a. notwithstanding anything to the contrary in this Agreement, it shall not retrench any of the Employees of the Company for a period of 1 (one) year from the Closing Date other than any dismissal or termination of Employees of the Company from their employment in accordance with the applicable staff regulations and standing orders of the Company or applicable Laws;

b. notwithstanding anything to the country in this Agreement, but subject to Sub-Clause (a) above, any restructuring of the labour force of the Company shall be implemented in the manner recommended by the Board and in accordance with all applicable Laws;

c. notwithstanding anything to the contrary in this Agreement, but subject to Sub-Clause (a) above, in the event of any reduction of the strength of the Company's Employees, the SP shall ensure that the Company offers its Employees an option to voluntarily retire on terms that are not, in any manner, less favourable than the VRS applicable before disinvestment.